GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1979
ANSWERED ON:04.08.2000
MONTHLY INCOME SCHEME OF UTI
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Will the Minister of FINANCE be pleased to state:

(a) whether Unit Trust of India has approached his Ministry to transfer the tax burden on investors on their monthly scheme;

(b) if so, whether SEBI has refused to give permission;

(c) if so, the reasons therefor;

(d) whether due to the new provision in the budget, UTIwill have to sacrifice Rs. 256 crores for taxation for such monthly income scheme;

(e) if so, whether the small investors and investors association have opposed the idea of UTI to pass onthis additional 11% tax burden on small investors; and

(f) if so, the facts thereof and reaction of the Government thereto?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a), (b) & (c) The Unit Trust of India (UTI), had requested the Ministry of Finance to consider thefollowing: to apply the new income distribution tax under the Finance Bill 2000 prospectively to schemes to be launched after 30.6.2000; waiver of the income distribution tax clause for its Monthly Income Plans(MIPs) launched before 30th June 1999; and to reducethe income distribution tax rate from 20% to the previous year`s level of 10% for all schemes launched after 30.6.99 and upto 30.6.2000. The Government has not accepted UTI`s suggestions.

(d), (e) & (f) The total tax incidence on UTI`s assured MIPs, on account of the income distribution tax, isapproximately Rs. 370.49 crores during the year 2000-2001. According to UTI, small investors desire to get the returns assured by UTI.